

Message Text

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INFO OCT-01 IO-13 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06

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TO SECSTATE WASHDC 4766

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TAGS: ECON, EINV, BEXP, EIND, FR

SUBJECT: FRENCH INDUSTRIAL POLICY AND THE VIITH PLAN

SUMMARY. COMMENTS OF AD HOC COMMITTEE, INCLUDING LABOR AND INDUSTRIAL LEADERS, ON INDUSTRIAL PORTIONS OF FRENCH SEVENTH PLAN COME DOWN HARD IN FAVOR OF GREATER NATIONAL AUTONOMY OF DECISION IN INDUSTRIAL SECTOR (VS. FOREIGN MULTINATIONALS) AND BALANCING GROWTH WITH SOCIAL GOALS. THIS WILL NECESSITATE NO LESS - AND PERHAPS MORE - GOVERNMENT INTERVENTION IN INDUSTRIAL SECTOR THAN CURRENT LEVEL. COMMITTEE'S COMMENTS ARE EXPECTED TO SIGNIFICANTLY INFLUENCE MINISTERIAL IMPLEMENTATION OF PLAN. END SUMMARY.

1. FRENCH GOVERNMENT'S SEVENTH PLAN FOR DEVELOPMENT OF FRENCH ECONOMY OVER 5-YEAR PERIOD 1976-80 WAS PROMULGATED JULY 21, 1976. SUMMARY OF TOTAL PLAN WAS SUBMITTED AS PARIS A-369 AND OF INDUSTRIAL POLICY ELEMENTS AS PARIS 23513. THIS MESSAGE SUMMARIZES COMMENTS ON INDUSTRIAL POLICY ELEMENTS BY AD HOC COMMITTEE OF GOVERNMENT OFFICIALS AND BUSINESS AND UNCLASSIFIED

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TRADE UNION LEADERS WHICH REVIEWED INDUSTRIAL PORTIONS

IN FINAL DRAFT. COMMITTEE'S COMMENTS ARE CONSIDERED COMPARABLE TO LEGISLATIVE HISTORY AND AS SUCH WILL INFLUENCE IMPLEMENTATION BY RESPONSIBLE MINISTRIES. MAIN POINTS ARE AS FOLLOWS.

2. ACHIEVEMENT OF AVERAGE REAL GROWTH RATE IN INDUSTRIAL PRODUCTION OF 7.2 PER CENT, I.E. SOMEWHAT HIGHER THAN GLOBAL GROWTH GOAL, WILL DEPEND ON SUCCESS IN ATTAINING RELATED OBJECTIVES IN FIELDS OF FOREIGN ECONOMIC RELATIONS AND BOP, FINANCING OF INVESTMENT, STRUCTURAL CHANGE IN FRENCH INDUSTRY, AND LEVEL AND FOCUS OF RESEARCH AND DEVELOPMENT OUTLAYS. GROWTH TARGET MUST BE MET WITHOUT MILITATING AGAINST OTHER OBJECTIVES OF PLAN, PARTICULARLY SUCH SOCIAL AIMS AS RETURN TO FULL EMPLOYMENT, IMPROVEMENT OF WORKING CONDITIONS, BALANCING OF DEVELOPMENT AMONG ECONOMIC CLASSES AND REGIONS OF FRANCE, IMPROVEMENT OF ENVIRONMENT, PROTECTION OF CONSUMER, AND ENHANCEMENT OF FOREIGN AID.

3. FOREIGN ECONOMIC RELATIONS.

TO REACH 35 BILLION FRANC SURPLUS IN INDUSTRIAL FOREIGN TRADE BY 1980, GOF SHOULD PURSUE POLICIES AIMED AT (1) RETURN TO STABLE INTERNATIONAL MONETARY ORDER AND CONTROL OF DOMESTIC INFLATION, (2) PROMOTION OF INTERNATIONAL COLLABORATION, STARTING WITHIN EC, TO ELIMINATE DISTORTIONS TO FREE COMPETITION, (3) REDUCTION OF DEPENDENCE ON IMPORTS BY BETTER ADVERTISING DOMESTIC INDUSTRY CAPABILITIES AND MAKING FULLER UTILIZATION OF AVAILABLE INTERNAL RESOURCES (E.G. BY RECYCLING), (4) EXPANSION OF EXPORTS TO DEVELOPED COUNTRIES BY MORE INCENTIVES AT HOME AND MORE SOPHISTICATED PROMOTION ABROAD, AND (5) EXERCISE OF GREATER CONTROL OVER "PROCESS OF INTERNATIONALIZATION" IN DIRECT INVESTMENT MOVEMENTS (I.E. BY NON-FRENCH MNE'S) AND THEREBY PRESERVE FRENCH AUTONOMY OVER CORPORATE DECISIONS WHICH COULD THROW FRENCHMEN OUT OF WORK.

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4. INVESTMENT AND CORPORATE FINANCE.

DESIRED 5 PER CENT ANNUAL RATE OF REAL GROWTH IN INDUSTRIAL INVESTMENT OVER PLAN PERIOD SHOULD BE PURSUED BY (1) INCREASING ABILITY OF CORPORATIONS TO FINANCE THEMSELVES BY SHIFTING FROM THEM SOME OF BURDEN OF SOCIAL CHARGES, AND BY CHANGES IN SYSTEM OF ASSET EVALUATION, (2) REDUCING COST OF, AND

EXPANDING MARKET FOR, CAPITAL ISSUES, (3) BRINGING
COST OF CREDIT DOWN TO LEVELS PREVAILING ELSEWHERE
AND (4) CHANNELLING HOUSEHOLD SAVINGS TOWARD
INDUSTRIAL FINANCE.

5. INDUSTRIAL STRUCTURE.

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MODERNIZATION OF FRENCH INDUSTRIAL STRUCTURE SHOULD
BE PURSUED BY: (1) PROVIDING SPECIAL HELP TO SMALL
AND MEDIUM-SIZED INDUSTRIES, (2) PROMOTING FREER
COMPETITION BY WHATEVER STEPS ARE INDICATED, INCLUDING
GRADUAL ELIMINATION OF PRICE CONTROLS, (3) BEING MORE
"SELECTIVE" IN APPROVING MERGERS, (4) FOCUSING
SECTORAL POLICIES ON THE MORE DYNAMIC INDUSTRIES
APPLYING GOVERNMENT PRESSURE OR ASSISTANCE AS
INDICATED TO ENHANCE THEIR GROWTH RATE.

6. SOCIAL ROLE OF INDUSTRY.

INDUSTRIAL GROWTH WILL BE POLITICALLY COMPROMISED IF IT DOES NOT BRING WITH IT NEW JOBS AND IMPROVEMENT IN QUALITY OF LIFE. THUS POLICIES MUST AIM AT (1) CREATING 200,000 NEW JOBS AND (2) IMPROVING WORKING CONDITIONS, INDUSTRIAL RELATIONS, AND STATUS OF MANUAL WORKERS, (3) DECENTRALIZING JOB OPPORTUNITIES TO LESS PROSPEROUS REGIONS, IN PART BY SUPPORT TO

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SMALL ENTERPRISES, (4) TEMPERING ENVIRONMENTAL CONCERNS WITH RECOGNITION OF NEED TO BE COMPETITIVE AND TO HAVE REASONABLE GRACE PERIOD FOR COMPLIANCE WITH POLLUTION STANDARDS.

7. STATE INTERVENTION.

EFFECTIVE PROGRAM OF BUSINESS CYCLE REGULATION WILL BE ESSENTIAL TO ORDERLY INDUSTRIAL GROWTH. EXISTING TECHNIQUES TO THIS END ARE WELL UNDERSTOOD BY INDUSTRY AND SHOULD BE CONTINUED, WITH ADAPTATION, AS NECESSARY, TO REFLECT NEW PRIORITIES AND CHANGED CONDITIONS.

8. INDUSTRIAL RESEARCH.

MORE RESEARCH IS CLEARLY DESIRABLE TO ENHANCE FRENCH COMPETITIVITY, REINFORCE NATIONAL AUTONOMY OF DECISION, AND IMPROVE WORKING CONDITIONS. CURRENT TAX POLICIES WHICH MAKE SALE OF PATENTS MORE ATTRACTIVE THAN USING THEM SHOULD BE CHANGED. EMPHASIS SHOULD BE ON HIGHER LEVEL TECHNOLOGY AND SALEABLE PRODUCTS THEREOF AS MUCH AS ON NEW PRODUCTS. GOVERNMENT SUPPORT SHOULD CONTINUE AT 50 PER CENT LEVEL. MAJOR GOVERNMENT PROCUREMENT AGENCIES SHOULD PLAY SIGNIFICANT ROLE. COMMITTEE ATTACHES PARTICULAR IMPORTANCE TO BASIC RESEARCH WITH INDUSTRIAL POTENTIAL AND TO LONG TERM GOAL OF IMPROVEMENT IN WORKING CONDITIONS.

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